CHAPTER III

COMPLIANCE AUDIT

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This Chapter presents the results of Compliance Audit of various Departments of the Government, their field formations, Local and Autonomous Bodies. Instances of lapses in the management of resources and failures in observance of the norms of regularity, propriety and economy have been presented in the succeeding paragraphs.

3.1 Wasteful Expenditure

ADI-DRAVIDAR WELFARE DEPARTMENT

3.1.1 Wasteful expenditure on payment of consultancy fees

Imprudent decision of the Union Territory Government to revise the pattern of assistance during implementation of the scheme resulted in wasteful expenditure of ₹ 2.54 crore towards consultancy and application fees paid to Housing and Urban Development Corporation.

The Adi-Dravidar Welfare Department (Department) constructed[1] dwelling units and allotted them to selected Scheduled Castes (SC) and Other Economically Backward Classes (OEBC) beneficiaries prior to 1983. As many of these houses constructed were found to be in a dilapidated condition, it was decided (November 2009) to reconstruct them through Puducherry Adi-Dravidar Development Corporation Limited (PADCO) by availing negotiated loan of ₹ 145.75 crore from Housing and Urban Development Corporation (HUDCO).

The Union Territory (UT) Government appointed (June 2010) HUDCO as consultant for preparation of Detailed Project Report (DPR) for the project of reconstruction of damaged houses for SC beneficiaries in Puducherry and Karaikal regions under Adi-Dravidar Welfare Housing Scheme-II, for which a consultancy fee at 2.5 *per cent* of the project cost was payable. HUDCO submitted DPRs for demolition and reconstruction of 2,161 damaged houses in seven phases at a total cost of ₹ 145.63 crore. An amount of ₹ 0.13 crore[2] was paid (February 2011) as application fee to HUDCO for obtaining the negotiated loan.

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[1] Subsidy of ₹ 6,000 (from the year 1991), ₹ 10,000 (from the year 1998) and ₹ 20,000 (from the year 2000) was given to the beneficiaries

[2] In respect of six phases for 1,876 houses

Though Tenders were invited during December 2010-February 2011 for the work, due to the enforcement of model code of conduct, tendering process was held up. After the election (May 2011), the UT Government, instead of reconstruction of houses departmentally, decided to release financial assistance (₹ four lakh) to the beneficiaries for reconstruction of houses by themselves. It was further decided (April 2012) to cover 2,952 dilapidated houses under this scheme instead of 2,161 houses for which DPRs were submitted by HUDCO. Meanwhile, HUDCO raised (October 2011) a demand of ₹ 2.41 crore towards consultancy fee.

When the proposal for release of subsidy to the beneficiaries instead of providing them with constructed houses was taken up with HUDCO (May 2012), it was turned down (August 2012) on the ground that such changes could not be accommodated in already sanctioned scheme. The UT Government, however, decided (December 2013), to release subsidy of ₹ four lakh per beneficiary as one time measure for about 4,000 beneficiaries spread over a period of three to four years for reconstruction of houses on their own under "Bharat Ratna Rajiv Gandhi Housing Scheme" and an amount of ₹ 6.23 crore was released to 286 beneficiaries as of February 2015.

As such, all the activities carried out so far including preparation of DPRs by HUDCO, calling for tenders for construction of houses, payment of application fees to HUDCO for obtaining loan, etc., became wasteful and no further action was taken for obtaining negotiated loan from HUDCO. Thus, the decision of UT Government to revise the pattern of assistance midway during implementation of the scheme resulted in wasteful expenditure of ₹ 2.54 crore towards payment of consultancy and application fees to HUDCO. Besides, the objective of constructing house for 2,161 beneficiaries was not achieved.

When pointed out, UT Government replied (December 2015) that the pattern of assistance was changed as per the decision of the new Government and consultancy fee paid to HUDCO was not wasteful as HUDCO had rendered their services for the scheme by preparing DPRs. The reply is not acceptable, as subsidy was released to the beneficiaries directly for construction of house by themselves, instead of being constructed by PADCO as per DPRs prepared by HUDCO, thus resulting in wasteful expenditure on account of consultancy and application fees.

3.2 Avoidable/Unfruitful Expenditure

PUBLIC WORKS DEPARTMENT

3.2.1 Avoidable payment of interest on arbitration award

Failure of Public Works Department to adopt correct rate of interest and file appeal against arbitration award within the stipulated period resulted in avoidable interest payment of ₹ 2.55 crore.

Section 34 of Arbitration and Reconciliation Act, 1996 stipulates that appeal against any arbitration award passed is to be made within three months from the date of receipt of award. Mention was made in paragraph 3.1.8.5 of Audit Report of the Comptroller and Auditor General of India for the year 2008-09 – Union Territory of Puducherry on creation of additional liability in respect of the work 'Construction of road over bridge over the Uppar drain connecting Kamaraj Salai and Maraimalai Adigal Salai in Puducherry'. The work was commenced without administrative approval/expenditure sanction and was foreclosed later, as contractor stopped the work due to non-payment of bills. He claimed compensation of ₹ 9.21 crore towards value of the work done (₹ 3.65 crore), interest on unsettled bills and other losses (₹ 5.56 crore) and demanded appointment of an arbitrator.

The paragraph was discussed by Public Accounts Committee (PAC) which recommended (July 2013) fixing of responsibility for the failure and additional liability that would arise out of arbitration award. Meanwhile, an arbitrator was appointed (January 2011) who passed (24 April 2013) an award in favour of contractor directing Public Works Department (PWD) to pay ₹ 8.12 crore (₹ 4.18 crore towards works executed and ₹ 3.94 crore as interest, calculated at the rate of 18 *per cent* based on the fact that department would have charged contractor 18 *per cent* as interest towards mobilisation advance as per work agreement).

Scrutiny of records (January 2015) revealed that agreement was entered with the contractor as per the conditions laid down in CPWD Works Manual 1996, which stipulated that interest on mobilisation advance would be 18 *per cent*. However, this was subsequently revised (February 2003) to 10 *per cent*. The Department failed to take cognizance of this revision and entered (May 2007) into an agreement with the contractor stipulating that mobilisation advance would be recovered with 18 *per cent* interest. Had the Department adopted 10 *per cent* in the agreement as per the revised CPWD norms, the interest component could have been limited to ₹ 2.19 crore.

Though appeal against the award was to be made within three months (July 2013), the Department sought legal opinion only on 25 June 2013. As Law Department opined (July 2013) that there was no ground for appeal due to the primary failure of the Department in settling the bill for works executed, the Department sought (August 2013) expenditure sanction for paying the award. However, when the file was submitted for approval, the Lieutenant Governor directed to pay compensation relating to the works portion alone and explore legal options for appeal in respect of the interest portion (February 2014).

Meanwhile, in order to avoid protracted litigation, the contractor sought (April 2014) a meeting with the Department for negotiating the interest portion by offering rebate. The Department, however, neither took up the matter with the UT Government to explain that appeal period had already concluded by July 2013 nor accepted the offer of the contractor for negotiation.

Thus, without exploring the possibilities to minimise its loss, the Department filed (September 2014) an appeal in the Hon'ble High Court, after a delay of 16 months from the date of passing the award. The appeal was rejected (December 2014) by Hon'ble High Court due to belated filing. Consequently, interest portion (upto September 2014) amounting to ₹ 4.74 crore was paid (July 2015) to the contractor. Thus, failures of the Department to adopt correct rate of interest in the agreement and making an appeal against the arbitration award well beyond the appeal period, led to an avoidable interest payment of ₹ 2.55 crore.

Government replied (December 2015), that various administrative processes had delayed the filing of the appeal. However, the Department was yet to fix responsibility for these failures, as directed by PAC.

TOWN AND COUNTRY PLANNING DEPARTMENT

PUDUCHERRY HOUSING BOARD

3.2.2 Unfruitful expenditure on construction of flats

Construction of flats at Karaikal by Puducherry Housing Board despite poor demand resulted in an unfruitful expenditure of ₹ 5.42 crore as the flats could not be sold.

Puducherry Housing Board (PHB) proposed (September 2000) to construct 384 flats[3] at a cost of ₹ 18.74 crore at Karaikal, based on a demand survey conducted in September 1999 wherein it received response from 1,921 persons. Approval of the Pondicherry Planning Authority for the layout plan was obtained in August 2000 and approval of UT Government was also obtained in March 2001.

[3] 96 Economically Weaker Section, 192 Lower Income Group and 96 Middle Income Group

PHB conducted (October 2001) a fresh demand survey for Middle Income Group (MIG) and Lower Income Group (LIG) as it felt that there was predominant change in the scenario of real estate. Though 284 (183 for LIG and 101 for MIG) persons responded to the second demand survey, only 14 persons came forward to purchase MIG flats when individual intimations were sent (June 2002). PHB, however, decided to construct 24 LIG and 36 MIG flats and passed a resolution (June 2005) in this regard, which was pending approval by the UT Government.

In anticipation of UT Government's approval, PHB commenced construction of flats (April 2007/August 2007). Construction was completed in November 2012/August 2013 at a cost of ₹ 5.42 crore after various administrative delays in finalising the tender[4]. Due to this delay, the cost of the LIG/MIG flats which were fixed at a maximum of ₹ 1.73 lakh/₹ 4.86 lakh during 1999, was subsequently revised (February 2010/February 2014) as ₹ 10.28 lakh/₹ 24.36 lakh, pending fixation of final cost.

PHB advertised the sale of flats during February 2010, October 2010, January 2011, February 2014, March 2014 and May 2014. In response, only five individuals applied (three MIG and two LIG) and allotments were made to them (December 2011 to August 2014). In the meantime, as the response from the public was poor, PHB obtained (February 2013) approval for de-reservation of categories and also sent circulars to all Heads of Department for purchase of flats. Further, PHB had decided to allot the flats on hire purchase-cum-lease agreement scheme after remittance of 50 *per cent* of final cost of the flat and balance 50 *per cent* within a period of 10 years. However, this decision was not implemented due to non-fixation of final cost, as the tenure of the Chairman of PHB expired by March 2015 and no further action was taken in this regard. As such, 55 flats remained unsold as of July 2015.

Thus, construction of flats by PHB at Karaikal despite poor response, delay of nearly 15 years in conceiving and completing the project and failure to fix the final cost resulted in unfruitful expenditure of ₹ 5.42 crore. PHB contended that it had constructed the flats on trial basis, but accepted the fact that it had failed to assess the desire of the public regarding purchase of flats, as they were interested only in purchasing of individual plots. However, the fact remains that flats could not be sold as general public were not willing to purchase them.

The matter was referred to Government (October 2015); reply has not been received (January 2016).

4 The avoidable liability of ₹ 0.83 crore to Government on this delay was commented and included in the Audit Report for the year 2008-09 *vide* paragraph 2.1.1

EDUCATION DEPARTMENT

3.2.3 Unfruitful expenditure on construction of Girls' Hostel

Failure to operationalise the Girls' hostel for more than seven years since its construction resulted in an unfruitful expenditure of ₹ 1.73 crore, besides avoidable expenditure of ₹ 12.87 lakh towards rent.

UT Government sanctioned (February 2004) ₹ 4.29 crore for construction of administrative block, library block and hostels for the Dr. Ambedkar Government Law College (College). The work, *inter alia*, included construction of Girls' hostel (Hostel) at a cost of ₹ 1.73 crore (approximately) as a sub-work, for the girl students who were being accommodated in a private rented building. The work was completed and the building was handed over to the College in April 2008. In addition, a compound wall around the hostel was also constructed (January 2008) at a cost of ₹ 14.89 lakh.

Scrutiny of records revealed (April 2015) that the hostel was not put to use and kept idle for the past seven years. As a result, the college continued to operate the hostel in a private building and paid ₹ 12.87 lakh as rent from February 2007 to August 2015. Further due to non-occupation for years together, the hostel building sustained damages such as termite attack, broken window panes, missing taps, broken pipelines and sanitary fittings etc. Apart from this, though the college had sent a requisition to Public Works Department (July 2011) for increasing the height of parapet wall and raising the height of western side gate as security measures, no action was taken on this request. Though a proposal was sent to Government (July 2013) for creation of a post of Deputy Warden, the same had not materialised yet and there was no exclusive hostel staff like warden, cook, etc., for effective functioning of the hostel. Thus, the hostel building constructed at a cost of ₹ 1.73 crore remained idle for more than seven years, sustaining damages due to non-occupation.

When pointed out, the College replied (October 2015) that though action was taken to provide security and food through outsourcing, girl students were not interested in staying in the hostel as it is away from the town and that the Jammer installed in the Jail nearby disrupted the communication inside the hostel. The reply is not acceptable, as the hostel was located inside the Law College campus and failure in taking concerted efforts to open the hostel, led to an avoidable expenditure of ₹ 12.87 lakh towards rent for accommodating the students in a private building.

The matter was referred to Government (October 2015); reply has not been received (January 2016).

HOME DEPARTMENT

3.2.4 Unfruitful expenditure on construction of Police quarters

Failure to allot newly constructed Police quarters for more than three years resulted in an unfruitful expenditure of ₹ 1.65 crore.

Government sanctioned (March 2009) ₹ 1.67 crore for the construction of staff quarters (Type II quarters – 16 units; Type III quarters – two units) for police personnel of Kirumampakkam Police Station under the scheme of 'Modernisation of Police Force'. Puducherry Housing Board (PHB) constructed the quarters at a cost of ₹ 2.03 crore and handed over to the Police Department in May 2012.

Scrutiny of the records revealed (January 2015) that except the two Type III quarters occupied by the Forensic Science Laboratory, the remaining 16 Type II quarters remained vacant, though 28 police personnel were working in Kirumampakkam Police Station. When pointed out, Superintendent of Police, Puducherry replied (March 2015) that as most of the staff working in the police station were coming from the town, they were reluctant to occupy the quarters which was located in rural area. He further stated that as the villagers residing adjacent to quarters were objecting to the utilisation of water provided by Municipality, PWD had been requested (December 2011) to drill a new borewell and as soon as the water problem was rectified, the quarters would be allotted to the staff.

The reply is not acceptable as the Department should have taken necessary action to ensure availability of water and the fact remains that the quarters were kept unoccupied for more than three years, resulting in unfruitful expenditure of ₹ 1.65 crore on construction of 16 Type II quarters.

The matter was referred to Government (May 2015); reply has not been received (January 2016).

TOURISM AND PUBLIC WORKS DEPARTMENTS

3.3 Infrastructure Development by Department of Tourism with Central Assistance

3.3.1 Introduction

Government of India (GoI) provided financial assistance under the scheme "Product/Infrastructure Development for Destinations and Circuits" for improvement of existing tourism products and developing new ones to the world standard, besides focusing on Integrated Infrastructure Development of tourism sites. GoI provided financial assistance upto ₹ five crore for selected destinations, excluding items which were exclusive responsibilities of State/Union Territory Government. Any other cost over and above the financial assistance provided by GoI was to be met by the UT Government. GoI sanctioned projects based on detailed cost estimates furnished by the UT Government and released first instalment (80 *per cent)* of the sanctioned cost. The second instalment (20 *per cent)* was released by GoI on completion of the work and receipt of Utilisation Certificate (UC).

Audit of the scheme 'Destination Development' was conducted between January and April 2015 to assess whether GoI guidelines were followed, grants received from GoI were utilised for the intended purpose and works were completed as planned and put to use. Records relating to 7[5] out of 10[6] works sanctioned during 2007-12 and completed between November 2009 and June 2012 were test checked. Results of audit are discussed below:

Audit findings

3.3.2 Execution of works

Against the estimated cost of ₹ 35.64 crore for seven works, GoI sanctioned ₹ 27.52 crore and released ₹ 22.01 crore as first instalment during 2007-10. Of the remaining ₹ 13.63 crore, the UT Government was to release ₹ 5.51 crore being 20 *per cent* of the project cost reimbursable by GoI on completion of the work. The remaining amount of ₹ 8.12 crore was to be entirely borne by the UT Government. It was, however, noticed that the UT Government released ₹ 4.68 crore only against ₹ 13.63 crore due to non-availability of funds.

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5 Development of beach Promenade in Puducherry, Revitalisation of Gandhi Thidal and Crafts Bazaar in Puducherry, Revitalisation of Karaikal Ammaiyar Koil Tank in Karaikal, Development of Eco beach in Karaikal, Development of walk way along Arasalar River in Karaikal, Development of Recreation Park at Buddha Lake in Yanam and Landscaping and tourist amenities around Yanam Obelisk

6 Two works were later dropped and one relates to construction of institutional building for Puducherry Institute of Hotel Management and Catering Technology

Consequently, Public Works Department (PWD), the executing agency, was instructed[7] to revise some of the components of the approved projects limiting the estimated cost to the amount sanctioned by GoI. Accordingly, works were curtailed to match the amount sanctioned by GoI. As a result, UT Government could not get second instalment of ₹ 1.90 crore[8] from GoI as components were changed without GoI's prior approval. Further, due to delay in execution of the projects and consequent cost escalation/short release of funds, the works though reported as completed, remained incomplete or were partially completed as discussed below:

3.3.2.1 Development of Beach Promenade

Against the project proposal of ₹ 7.99 crore, GoI sanctioned (September 2007) ₹ five crore towards 'Beautification of beach promenade' which included the work of laying granite slab pavement for 1,500 m and released ₹ four crore as first instalment. The work, commenced in May 2009, was completed in February 2011 at a cost of ₹ 6.07 crore. The following shortcomings were noticed:

- The estimate was revised in May 2008 to curtail the expenditure within ₹ five crore sanctioned by GoI. Further, the UT Government took one year to accord administrative sanction (August 2008). There was also delay in finalisation of tender (April 2009). These delays resulted in cost escalation. As a result, scope of the work was curtailed and the work was executed for 1,220 m against 1,500 m sanctioned by GoI.

- Certain components of works sanctioned by GoI such as mild steel/granite bollards, signages and pergolas were not executed stating that it would cause hindrance to the pedestrians.

- As the above changes were made during execution of works without GoI's prior approval, the UT Government could not avail of the remaining 20 *per cent* (₹ one crore) grant from GoI.

When pointed out, it was replied that due to cost escalation, the length of pavement was reduced and that since the scope of the project was not changed, reduction in length was not intimated to GoI. However, the fact remains that UT Government had to meet the expenditure of ₹ one crore from its own budget which would have, otherwise, been reimbursed by GoI.

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7 As per the decision taken in a high level meeting held during March 2008 in which Hon'ble Minister of Tourism, Secretary to Government (Tourism and PWD), Director of Tourism and Chief Engineer (PWD) participated

8 ₹ 100 lakh (Development of Beach Promenade) + ₹ 90 lakh (Development of Eco beach at Karaikal)

3.3.2.2 Revitalisation of Gandhi Thidal and Crafts Bazaar

GoI sanctioned (September 2007) ₹ 2.67 crore for the work 'Revitalisation of Gandhi Thidal and Crafts Bazaar'. The work, among other things, included construction of 54 shops (30 shops on southern side and 24 shops on northern side) and GoI released ₹ 2.14 crore as first instalment. The work was awarded (May 2009) to a contractor at a cost of ₹ 2.93 crore with stipulation to complete the work within six months (November 2009). Scrutiny of records revealed the following:

The construction of shops in the northern side necessitated demolition of an existing building and shifting of transformer. Though the Department awarded the work in May 2009, it initiated action to demolish the building only in June 2010, after one year. Similarly, the transformer was shifted in February 2015. Due to delays in demolishing/shifting of transformer, construction of 28 shops alone was completed at a cost of ₹ 2.73 crore in January 2012, after a delay of two years, and the contract was foreclosed in August 2013. No work was taken up thereafter.

Thus, against the original plan to construct 54 shops at a sanctioned cost of ₹ 2.67 crore, only 28 shops could be completed after spending ₹ 2.73 crore and the work was partially completed.

3.3.2.3 Development of Eco beach at Karaikal

GoI sanctioned ₹ 4.46 crore for the work 'Development of new beach area in Puducherry' and released ₹ 3.25 crore (September 2004). The main components of the work included gardening, roads, children play area, shops and sanitary provisions. As the work could not be taken up due to Tsunami (December 2004), the UT Government requested (February 2005) GoI for change of site and proposed the work 'Development of Eco Beach' at Karaikal, which included provision of fun court, shopping court, sports court, children play area, basket ball and tennis courts.

GoI, on receipt of clarification from the UT Government regarding cost break-up for each of the components to be executed, accorded (October 2007) sanction for commencing the work at the new site with instructions to carry out the work as per the terms and conditions stipulated for the dropped work at Puducherry and permitted utilisation of ₹ 3.56 crore[9] released earlier. However, the components as proposed at the new site were taken up (February 2008) and completed (November 2009) with three blocks containing 25 shops, two restaurants, information centre, cyber café centre and video games centre at a cost of ₹ 3.50 crore.

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9 Includes the amount of ₹ 3.25 crore released for the old work and saving of ₹ 0.31 crore under three other schemes

When Tourism Department approached (December 2009) GoI for release of second instalment of ₹ 90 lakh to complete the remaining works, GoI sought clarifications regarding changes made in the components of works without its prior approval (July 2011). Though Tourism Department replied (August 2011) that it was not aware of the components to be executed and completed the works as per the project report submitted for Karaikal, GoI however, did not release the second instalment. No further work was taken up and the scope of the work was restricted to the amount released in the first instalment.

Though shops (rooms) constructed were allotted during March 2010 to 11 licensees, none of the allottees started business as of March 2015 due to lack of tourism activities. Thus, action of the Department in taking up the work without ensuring the components to be executed resulted in an unfruitful expenditure of ₹ 3.50 crore and non-release of funds by GoI to complete the remaining work.

3.3.2.4 Development of walkway along Arasalar River in Karaikal

GoI sanctioned (September 2007) ₹ 4.78 crore towards the work of 'Development of walkway along Arasalar River in Karaikal' and released ₹ 3.82 crore as first instalment. The work included formation of walkway for a distance of 1,000 m alongwith fixing of ornamental decorative iron grills, decorative lamp posts, granite park seats and cast iron benches. The work commenced in January 2009, was stopped in October 2009 after incurring an expenditure of ₹ 4.08 crore. Scrutiny of the records revealed the following:

Due to non-settlement of bills, contractor stopped the work after executing the walkway (paver block) for 1,000 m. Other works such as fixing of handrails, benches and avenue lighting were completed upto length of 200 m only. It was noticed that due to paucity of funds, UT Government did not release its 20 *per cent* share to complete the remaining work. When GoI was approached in November 2009 for release of second instalment, it was replied that (March 2011) amount could be released only as reimbursement, after completion of the work. However, no funds were released as the work remained incomplete.

Though the facilities created were thrown open to the public (November 2009), the work actually remained incomplete due to non-provision of required funds under UT share.

3.3.2.5 Landscaping and tourist amenities around Yanam Obelisk

Tourism Department proposed (July 2009) to take up the work 'Landscaping and tourist amenities around Yanam Obelisk' for construction of an entrance gate, compound wall, ancillary building, toilets, washrooms and pathways alongwith interior electrification around an Obelisk constructed by M/s Reliance Industries Limited at Yanam. GoI sanctioned (December 2009) ₹ 4.86 crore for the work and released ₹ 3.89 crore as first instalment. The work, commenced in February 2011 was completed in June 2012. Scrutiny of records and joint inspection by Audit with departmental staff revealed the following:

The work of construction of ancillary building was taken up as a sub-work at a cost of ₹ 1.85 crore. During execution, ₹ 36 lakh out of the sanctioned amount was utilised for payment of price escalation of steel and cement used in the work. Further, due to non-provision of funds, the work was stopped and the building remained incomplete at roof level as shown in the picture. However, the work was reported as completed (January 2013) and payment of ₹ 2.01 crore was made to the contractor for the work done.

Even though the building remained incomplete, Tourism Department furnished UC reporting that work was completed and received (April 2015) second instalment of ₹ 97.38 lakh from GoI. When pointed out, PWD replied (August 2015) that work as contemplated could not be completed due to payment of escalation cost and paucity of funds and that the remaining work would be taken up in the next phase.

When the deficiencies in execution of works as discussed above were pointed out, the Secretary, Tourism Department stated (August 2015) that deviations should have been brought to the notice of GoI by PWD, before the same were raised by GoI. It was further stated that the Director, Tourism was instructed to monitor execution of the works and put a proper system in place to avoid non-release of funds by GoI in future.

3.3.3 Lack of sustainable maintenance plan

According to scheme guidelines, UT Government was responsible for maintenance of the assets created and was to include a sustainable maintenance plan in the project proposal itself. It was, however, noticed that Tourism Department failed to frame a sustainable maintenance plan. Further, the Chief Secretary had also instructed (August 2012) to find out ways to meet the maintenance expenditure. However, no follow up action was taken in this regard.

When pointed out, the Secretary, Tourism Department accepted (August 2015) the audit point and instructed the Director, Tourism to issue necessary administrative orders to PWD/Municipalities concerned to maintain the assets. He further stated that funds would be provided separately for maintenance of assets.

3.3.4 Monitoring

A State Level Monitoring Committee with Secretary (Tourism) as Chairman along with a member from the Ministry of Tourism, GoI and members of executing agencies was to be set up for periodical monitoring of the works. It was noticed that though the Committee was constituted in February 2010, it did not have a member from Ministry of Tourism, GoI. Though the Committee was to meet every three months to monitor progress of works, it met only eight times during 2009-13 against 16 meetings and no meeting was held after September 2012.

Lack of monitoring resulted in the following deficiencies:

- None of the works had administrative approval of the UT Government, which led to substantial delay in according expenditure sanction.

- Though GoI had specifically instructed to commission all the five projects discussed above within a year of sanction, none of them was completed within the stipulated period.

- Administrative delays ranging from 6 to 24 months were noticed in commencing the work after sanction and receipt of funds from GoI leading to cost escalation, which resulted in the works being curtailed and non-completion/partial completion of works.

- Change in specifications of the works without intimating the GoI resulted in non-release of second instalment by GoI.

- Though GoI indicated absence of signage boards, drinking water facilities and accessibility for disabled persons etc., and instructed to provide these facilities, no follow up action was taken so far by the Department.

When pointed out, the Director replied (April 2015) that efforts would be made to convene meetings regularly. However, the fact remains that State Level Monitoring Committee had been formed belatedly and had the Committee meetings been held regularly during the period of execution of works, the above mentioned deficiencies could have been avoided facilitating successful completion of works.

3.3.5 Conclusion

Works sanctioned by GoI were curtailed and certain sanctioned components were not taken up in order to restrict the expenditure within the amount sanctioned by GoI. Prior approval of GoI was not obtained for change in approved components resulting in non-release of second instalment by GoI. Further, failure on the part of the UT Government to complete the works with its own funds resulted in the works remaining incomplete/partially completed. Monitoring Committee did not meet at regular intervals and delays in commencing the work led to cost escalation.

The matter has been referred to Government in July 2015; reply has not been received (January 2016).

AGRICULTURE, EDUCATION, ELECTRICITY, PUBLIC WORKS AND SCIENCE, TECHNOLOGY AND ENVIRONMENT DEPARTMENTS

RENEWABLE ENERGY AGENCY, PUDUCHERRY

3.4 Implementation of Energy Conservation Act by Renewable Energy Agency, Puducherry

3.4.1 Introduction

Union Territory Government of Puducherry (UT Government) established (November 2005) the Renewable Energy Agency, Puducherry (REAP), to implement schemes for power generation from non-conventional and renewable sources of energy and to provide for conservation of energy at the source of generation, distribution and/or consumption. The UT Government designated (September 2006) REAP as 'Designated Agency' to co-ordinate, regulate and enforce provisions of Energy Conservation Act, 2001 (EC Act) within Union Territory of Puducherry (UT). Audit of activities of REAP during the period 2012-15 was conducted between April and July 2015 to assess whether (i) initiatives were taken to implement EC Act and (ii) various renewable energy conservation and energy efficiency programmes were implemented and operationalised. Audit findings are discussed below.

Audit Findings

3.4.2 Implementation of EC Act

3.4.2.1 Non-utilisation of Puducherry Energy Conservation Fund

As provided in the EC Act, 'Puducherry Energy Conservation Fund' (PECF) was constituted (August 2011) in order to utilise the fund for promoting energy conservation/efficiency, to create awareness, organise training programmes, perform research and development, develop testing and certification of energy consuming devices and implement demonstration projects and pilot projects related to energy conservation/efficiency in UT.

REAP, being the Designated Agency, was to operate PECF and an amount of ₹ six crore was released (Bureau of Energy Efficiency (BEE) - ₹ four crore and UT Government - ₹ two crore) to REAP up to October 2013. Audit noticed that the entire amount remained idle (March 2015), as REAP did not carry out the envisaged activities. When pointed out, REAP replied (November 2015) that State Level Steering Committee (SLSC) was not constituted for administering PECF and action was being taken to send a proposal to UT Government for constitution of SLSC. The reply is not acceptable as SLSC was not constituted even after delay of four years from the date of constitution of PECF.

3.4.2.2 Non-installation of star rated appliances

As provided in the EC Act, UT Government issued (November 2012) orders making it mandatory for Government Departments to use four star and above rated electrical fittings and appliances in new Government buildings and to replace old fittings in the existing buildings as and when required to ensure energy efficiency. The order, further, made installation of four star rated pump sets mandatory, whenever new tube wells were installed by farmers by availing Government subsidy. In this connection, the following observations were made.

(i) Estimates for procurement of materials by Public Works Department (PWD) were to be prepared based on Puducherry Schedule of Rates (PSR). However, neither REAP nor PWD took action to incorporate star rated electrical appliances in PSR, even after two years from the date of Government order (November 2012). Consequently, in 46 electrical works carried out during 2012-15, star rated equipment/appliances were not installed to ensure energy efficiency. When pointed out, Government replied (November 2015) that necessary energy conservation items would be included in PSR at the earliest.

(ii) During 2012-15, Agriculture Department paid subsidy of ₹ 37.31 lakh to 104 farmers for purchase of submersible pump sets.

However, neither Agriculture nor Electricity Department insisted for installation of star rated pump sets for tube wells. Consequently, none of the farmers installed star rated pump sets though subsidy was released to them after site visits by field staff.

When pointed out, it was replied (June 2015) that guidelines for release of subsidy were formulated even before the Government order (November 2012) and hence installation of star rated pump sets was not insisted. It was further stated that action would be taken to promote use of star rated pump sets in future and that suitable instructions have been issued (June 2015) by Electricity Department to field officers to issue certificate only to the consumers who had erected star rated pump sets. However, the fact remains that Government order was not complied with by the Departments.

The above failures resulted in non-accrual of energy saving. When pointed out, REAP replied (November 2015) that powers to specify the matters to be included for the purpose of inspection was solely vested with GoI. The reply is not acceptable, as REAP was the Designated Agency under EC Act and it was to ensure that provisions of EC Act were being complied with.

3.4.2.3 Delay in implementing Energy Conservation Building Code

UT Government stipulated (March 2012) that Energy Conservation Building Code (ECBC) shall apply to new buildings such as hospitals and marriage halls, where there was a system of installation for supplying hot water, auxiliary solar water heaters were to be installed. Scrutiny of records of Puducherry Planning Authority (PPA) revealed that PPA while issuing building permits, did not incorporate the condition of use of renewable energy sources and that none of the 11 building permits issued during 2012-15 to hospitals/marriage halls included mandatory requirement of installing solar water heaters. When pointed out, REAP replied (September 2015) that a proposal to set up ECBC Cell for monitoring purpose was under consideration.

3.4.2.4 Non-adherence to Energy Audit recommendation

Based on a direction of BEE (March 2008), REAP identified 13 Government buildings[10] and conducted Energy Audit (EA) (April 2008-February 2009 and May-November 2012) by engaging a Government agency[11] which recommended replacement of all incandescent bulbs/tube

[10] Chief Secretariat, Director of School Education, Government General Hospital, Government Maternity Hospital, PAJANCOA, Collectorate (Karaikal), Puducherry Government Guest House (New Delhi), Revenue Department, Civil Station (Karaikal), Electricity Department (Puducherry), Raj Niwas (Puducherry), Government Guest House (Uppalam) and Bharathiar Government College for Women

[11] NSIC Technical Services Centre, Chennai

lights with Compact Fluorescent Lamp (CFL), all Air Conditioners (AC) with star rated ACs, installation of automatic ON/OFF switches with timers, light energy saver instruments and removal of sodium vapour lamps. The total energy saving projected was 9.95 lakh units per annum. Test check of implementation of EA in four offices, where EA was conducted, revealed the following:

- Though REAP had forwarded (June 2010) EA report to Education Department, only worn out equipment were replaced instead of complete replacement. When pointed out, the Department replied (June 2015) that major works would be carried out by Electricity Department.

- Rajiv Gandhi Government Women and Children Hospital (RGGWCH) (previously Government Maternity Hospital), was shifted (June 2011) to a new building. When the progress in respect of EA was called for (May 2015) by Audit, RGGWCH replied (June 2015) that EA report was not traceable.

- At Pandit Jawaharlal Nehru College of Agriculture and Research Institute, old tube lights with copper chokes were replaced with tube lights with electronic chokes. No action was taken to implement the other recommendations.

- At Indira Gandhi Government General Hospital and Research Institute, lights were purchased as per the recommendations of EA, but were replaced as and when the existing lights failed.

It could be seen from the above that neither the Departments nor REAP took necessary follow up actions to ensure implementation of the recommendations of EA and this resulted in non-accrual of the anticipated annual energy saving. When pointed out, REAP replied (November 2015) that respective Departments were instructed to implement the recommendations within a period of three months from the date of issue of recommendations (March 2013). However, as discussed above, the recommendations were not implemented in full and REAP had not ensured its implementation.

3.4.2.5 Failure to direct designated consumers to conduct energy audit

EC Act provided for identification of designated consumers based on their quantity of energy consumed to establish and prescribe energy consumption norms for them. The designated consumers were to be directed to conduct energy audit for the purpose of efficient use of energy and its conservation and to provide information regarding energy consumed and action taken on the recommendation of the Energy Auditor.

In respect of UT, though REAP had identified six[12] designated consumers, it did not direct them to conduct energy audit. On being pointed out, REAP replied that necessary reports were called for (February/March 2015) from designated consumers. However, the fact remains that REAP did not enforce the provisions of EC Act and thus failed to ensure efficient energy utilisation by designated consumers.

3.4.2.6 Implementation of Annual Energy Saving Plan

REAP prepared (June 2013) Annual Energy Saving Plan (AESP) in four sectors[13] and the report envisaged energy saving of 50.26 MU, costing ₹ 21.88 crore in all the four sectors based on certain energy saving action plan to be implemented by the respective Departments. However, REAP communicated the recommendations to the Departments concerned for implementation only in February 2015 and hence AESP recommendations were not implemented in any of the four sectors. When pointed out, REAP replied (September 2015) that the recommendations were communicated to the Departments after obtaining the approval from BEE. It was further stated that funds available in PECF would be utilised for implementation of the recommendations. However, the fact remains that AESP recommendations were not implemented even after two years.

3.4.3 Implementation of Energy conservation/efficiency schemes

REAP had implemented various schemes formulated by BEE/Ministry of New and Renewable Energy (MNRE) for efficient use of energy and use of renewable source of energy. Audit findings on the above initiatives taken by REAP are discussed below:

3.4.3.1 Non-implementation of Solar City Programme

Ministry of New and Renewable Energy (MNRE) launched (January 2011) a programme on ‘Development of Solar City’ with an aim to reduce projected demand of conventional energy by a minimum of 10 *per cent* at the end of five years. Puducherry was selected to be developed as ‘Solar City’ (February 2013) for which MNRE would provide grant upto ₹ 2.50 crore for setting up of various renewable energy related projects, subject to the condition that UT Government would provide matching grant. Further, MNRE would also provide an amount of ₹ 50 lakh towards preparation of master plan, Detailed Project Report (DPR) and other related activities. REAP appointed (January 2014) a consultant to prepare DPR and UT Government also sanctioned (March 2014) an amount of ₹ 2.13 crore to REAP as matching grant.

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[12] Soundaraja Mills Limited, Karaikal, Cannanore Spinning and Weaving Mill, Mahe, Pondicherry Co-operative Spinning Mill Limited, Puducherry, Sree Rajeswari Mills (Unit B), Karaikal, Snam Alloys Pvt. Limited, Puducherry and Sri Rangaraj Steels, Karaikal

[13] Agriculture, Industries, Street lights and Water

Meanwhile, REAP approached (February 2014) MNRE for release of ₹ 50 lakh towards preparation of DPR. Though MNRE sanctioned (September 2014) ₹ 49.40 lakh, the sanctioned amount was not released due to non-furnishing of UCs by REAP for old schemes. The Consultant submitted (February 2015) a master plan and DPR which envisaged energy saving for 39.25 MU. REAP forwarded (March 2015) DPR to MNRE alongwith pending UCs with request to release funds. However, MNRE did not release funds and no further activities were taken up under the scheme. Thus, the objective of developing Puducherry as 'Pilot Solar City' was not achieved even after two years and an amount of ₹ 2.13 crore released to REAP remained idle.

When pointed out, REAP replied (September 2015) that action would be taken to obtain matching grant from MNRE as pending UCs were already forwarded. It was further stated that on approval of DPR by MNRE, the programme would be taken up for implementation.

3.4.3.2 Failures in LED Village campaign

BEE launched (July 2009) a nationwide LED Village Campaign and REAP identified (August 2009) two villages[14] in UT of Puducherry for this scheme. Work order was issued (January 2011) to a firm for installation of 20 LED street light fittings and 750 LED bulbs at the rate of three bulbs per household for each of the two villages. The items so supplied were to be covered under warranty for five years. The scheme was completed (February 2011) at a cost of ₹ 25.50 lakh. The scheme envisaged energy saving of 68,500 units of electricity costing ₹ 1.65 lakh in respect of street lights and in respect of LED bulbs, they were expected to save 90 *per cent* of electricity consumed by incandescent bulbs which would save ₹ 30 lakh on purchase cost of power to UT Government over a period of five years.

A joint physical inspection (June 2015) conducted by Audit alongwith REAP staff to verify the functioning of LED street lights revealed that only one out of 40 LED street lights installed was functioning. Further, a survey of 10 household beneficiaries revealed that out of the 30 LED bulbs supplied, only two were working. It was noticed that Electricity Department had replaced 10 of the LED street lights with sodium vapour lamps and the LED bulbs supplied to houses were not replaced despite repeated requests by the beneficiaries. Thus, the objective of achieving energy conservation/efficiency was not achieved resulting in unfruitful expenditure of ₹ 25.50 lakh.

When pointed out, REAP replied (September 2015) that maintenance of LED street lights was the responsibility of Electricity Department. It was further stated (November 2015) that the firm which supplied street lights had rectified them after a direction from REAP in this regard. However, the reply is silent on non-replacement of LED bulbs given to houses.

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[14] Valavil and Parakkal villages in Mahe Region

3.4.3.3 Street lights

REAP installed (June 2011/February 2012) 120 Solar Street Lamps (SSL) at a cost of ₹ 29.99 lakh. It was noticed that only 63 of them were in working condition. The remaining SSLs were not functioning due to missing batteries, solar modules and luminaries. The agreement for supply provided for insurance cover for five years and comprehensive maintenance up to March 2016. The firm which installed the above SSLs neither conducted site visits nor submitted quarterly performance reports to REAP and despite these failures, REAP did not forfeit the security deposit and performance guarantee of ₹ three lakh furnished by the firm.

When pointed out, REAP replied (November 2015) that complaints have been lodged with respective police stations regarding missing items in order to make insurance claim. It was further stated that on receipt of First Information Reports, action would be taken to forfeit the security deposit and performance guarantee. However, the fact remains that the SSLs were neither maintained nor insured and as a result, 57 SSLs were not working.

3.4.4 Creation of awareness

3.4.4.1 Undue delay in setting up of State Level Energy Education Park

With the aim of educating the public, especially the younger generation about the need and nature of renewable energy, energy conservation and care for the environment, GoI proposed setting up of a State Level Energy Education Park (SLEEP) consisting of static exhibits and working models and outdoor demonstration models of various aspects of Renewable energy. GoI sanctioned (March 2006) ₹ one crore and released ₹ 50 lakh with a condition that the project should be completed within a period of two years from the date of sanction.

REAP entrusted civil works to Puducherry Agro Services and Industrial Corporation (PASIC). Supply/installation of exhibits was entrusted to a firm at a cost of ₹ 0.99 crore (January 2007). Though the firm had supplied the exhibits in December 2008, the same were not installed as PASIC completed the civil works only in June 2013 after a delay of nearly seven years. However, SLEEP was opened to the public only in May 2015, after a further delay of 18 months incurring an expenditure of ₹ 2.50 crore. Meanwhile, when REAP approached MNRE (January 2014) for release of remaining ₹ 50 lakh, MNRE did not release the amount citing delay in completion of SLEEP and directed (January 2014) REAP to return the amount released to it with penal interest.

A joint inspection of SLEEP by Audit in June 2015 revealed that Energy Film Corner inside the exhibition hall was not provided with required equipment and exhibits such as four solar cars, solar cookers, wind battery charger and solar powered water pump 3 KW SPV Integrated Power Plant installed were not working.

When pointed out, REAP replied (September 2015) that delay in completion of civil works by PASIC was due to their financial constraints and delay in opening of Park was due to administrative reasons. It was further stated (November 2015) that completion report was submitted to MNRE and on receipt of the remaining grant from MNRE, the non-functioning and damaged exhibits would be repaired. The reply is not acceptable, as it took nearly nine years to set up SLEEP and even after spending an amount of ₹ 2.50 crore, SLEEP was not made fully operational, thereby defeating the objective of educating the public.

3.4.5 Conclusion

REAP did not take speedy action to implement the EC Act to achieve energy conservation/efficiency as envisaged. Recommendations of energy audits and annual energy saving plans were not implemented and anticipated energy saving did not accrue. Shortfalls and delays were noticed in implementation of energy conservation/efficiency schemes and REAP did not conduct necessary awareness programmes to educate the public about the importance of renewable energy.